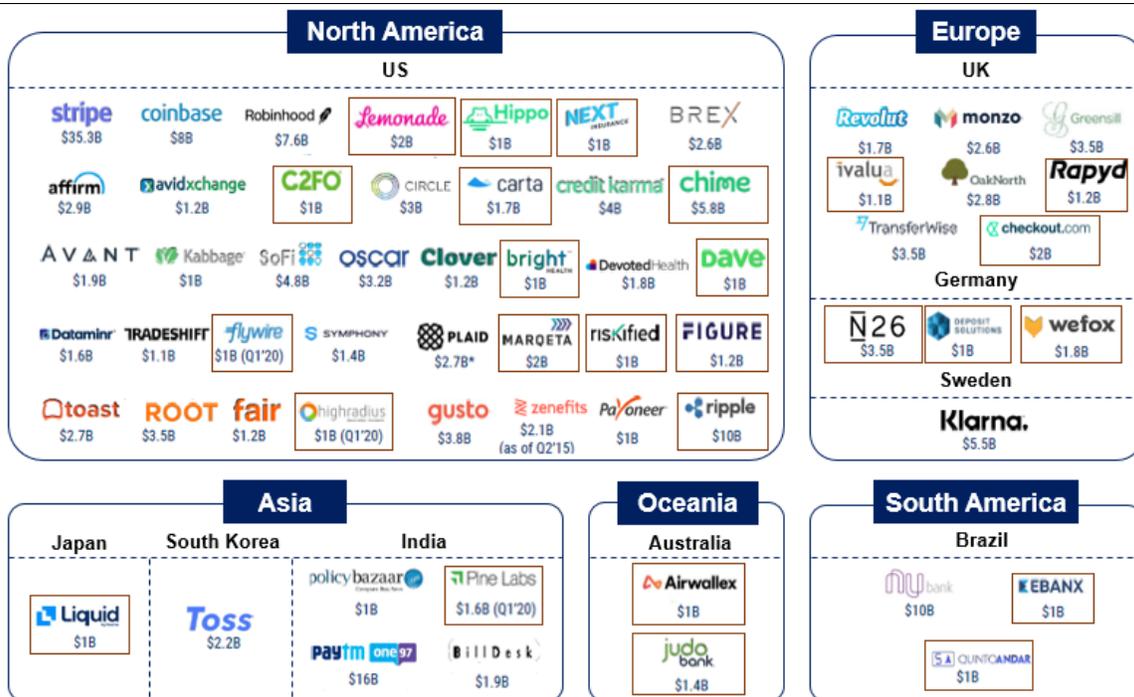


Global FinTech Biweekly



Highlight of this issue – Global FinTech Industry at an Inflection Point

Figure 1: 2019 VC backed FinTech unicorns – 23 new unicorns in 2019 and 8 in Q4 2019



Source: CB Insights, Bloomberg, AMTD Research; Note: Greater China and Southeast startups are not listed in the map

Global FinTech industry at an inflection point – Public health concerns forge new demand

The recent public health event has undoubtedly brought great challenges to China's and likely global economy, and also changed how Chinese are using tech in everyday life. New users are flooding into the "contactless" economy such as video conferencing, food delivery, online gaming, online education, etc., likely for the long term. In Hong Kong, citizens witnessed the first launch of the eight digital banks – account opening can be completed within a few minutes, cash loan application is just a few clicks away. 2020 could be an inflection point for global FinTech when pure online experience is appreciated more than before. From online onboarding, loan application, real time funds transfer to low cost remittance, FinTech firms offer services which are proactive, transparent, affordable and most importantly, do not require customers' offline handling. However, challenges remain as the industry move towards a more mature stage.

2019 industry report suggests less funding for early startups

According to CB Insights' annual FinTech report, global FinTech VC funding collected slightly went down from the peak of US\$2.0trn 2018 to US\$1.9trn in 2019. If excluding Ant Financial's record fund raising of US\$14bn in 2018, 2019 actually saw a very healthy growth over 2018. However, funding for early-stage companies dropped to a 12-quarter low as there are more concentration in mega deals. Nearly 50% of all funding to FinTech startups was concentrated in 83-mega rounds (those of size US\$100mn or above).

Southeast Asia and German FinTech startups are VC's darlings

FinTech startups in Southeast Asia (SEA) raised US\$993mn across 124 rounds in 2019 which marked their biggest year in history – this was a big jump compared to the US\$588mn in 2018. Germany-based startups gained significant momentum in 2019, with 5 companies raising 7 mega rounds including N26, Wefox and Deposit Solutions. India added one more unicorn – Pine Labs.

Digital banking/InsurTech/remittance were the hottest verticals in 2019

Among the 23 new unicorns in 2019, digital banking, insurance and remittance are the three hottest verticals. Challenger banks raised over US\$3.7bn across 96 deals in 2019, a record year in terms of both number of deals and fund raised. In insurance, new unicorns Lemonade, Hippo, NEXT Insurance, Wefox and Bright Health offer varied types of insurance coverage, making insurance experience automated and smart to individuals as well as small businesses. In remittance, Rapyd, Flywire and AirWallex joined the unicorn club. In capital market verticals, strong funding was supported by surging interest of incumbents seeking partnership with FinTech. At the same time, interest in ESG tech took off in 2019.

More M&A likely coming

As more incumbents accelerate their technology adoptions and make their services more affordable, as well as conduct active corporate venture investment, industry M&A is unavoidable. Charles Schwab and TD Ameritrade's merge, Visa's investment in Plaid, Allianz X's investment into Lemonade, Munich Re's investment into Next Insurance all highlight such trend.

News of the week

22 Feb 2020

Digital banks

JPMorgan

JPMorgan Chase in talks to launch digital bank in UK

JPMorgan Chase is in talks with London regulators about launching a digital bank in the UK this year. The new operation is likely to provide both savings and lending products. Clive Adamson, former head of supervision at the Financial Conduct Authority, was asked to chair the new business. It will be a boost for the UK as international banks like Germany's N26 are planning to leave the UK market due to Brexit. It is also a significant move for Chase, which has traditionally focused on its huge and profitable domestic market rather than international operations. (Source: [FT](#))

22 Feb 2020

Personal finance

Intuit/Credit Karma

Intuit to buy Credit Karma for US\$7bn

TurboTax maker Intuit reached an agreement to buy personal-finance technology portal Credit Karma for roughly US\$7bn. The deal will be closed in cash and stock, and is Intuit's largest acquisition by now. It will push Intuit further into the growing online consumer finance sector. Credit Karma would function as a stand-alone business with its current chief executive, Kenneth Lin, staying in charge. (Source: [WSJ](#))

21 Feb 2020

Trading

Morgan Stanley

Morgan Stanley to buy ETrade for US\$13bn

Morgan Stanley will buy online trading platform ETrade for US\$13bn. The deal is the largest deal by a global bank since the 2008 financial crisis and the second largest deal by Morgan Stanley. ETrade has more than 5.2 mn clients and around US\$360bn of retail client assets. After the deal, Morgan Stanley will make 57% of its pre-tax profits from wealth management and investment management — less cyclical businesses. (Source: [FT](#))

21 Feb 2020

Digital banks

Axiata

Malaysia's Axiata in talks with 11 partners for a digital banking license

Axiata Group, a Malaysian telecom firm, has been in talks with as many as 11 partners, including banks, to bid for a digital banking license in the country. The central bank in Malaysia will issue up to five licenses to online banks that offer either conventional or Islamic banking. The framework of the licensing is expected to be determined by the end of June. Other bidders included Grab, Razer, AirAsia and CIMB. (Source: [Reuters](#))

21 Feb 2020

Cryptocurrencies

Facebook/Shopify

Facebook's Libra Association added Shopify as a member

Shopify will join the Libra Association, the cryptocurrency collective launched by Facebook. Shopify is the first new member after several high-profile companies, including Mastercard, Visa, eBay, Stripe, Vodafone, etc., defected from the group due to regulatory concerns. The project still faces regulatory hurdles and scrutiny from governments around the world. One of the concerns is that the cryptocurrency may weaken the legal tender. (Source: [CNBC](#))

20 Feb 2020

Payment

Citi

Citi launched digital payment solution PayAll in Philippines

Citi launched its digital payment solution Citi PayAll in Philippines. Citi Philippines credit cardholders can now make big payments usually settled via cash or cards through the Citi Mobile App. Citi claimed that PayAll is a first in the country's digital finance landscape. Customers have a maximum limit of PHP200,000 per transaction and will incur a per transaction fee of up to 3%. (Source: [ManilaTimes](#))

20 Feb 2020

IndustrialAutomation

Credit Suisse

Credit Suisse investment group NEXT Investors acquired NorthPoint Tech

Credit Suisse's fintech growth equity group NEXT Investors has acquired the NorthPoint product suite and technology consulting practice from ACA Compliance Group. North Point will be wholly owned by a new business intelligence company, Portfolio BI, which will be led by Jeremy Siegel, CEO of LUX Fund Technology and Solutions. ACA will retain its regtech offering, and will work with Portfolio BI to service mutual clients. (Source: [Reuters](#))

20 Feb 2020

Trading

Goldman/JPMorgan

Goldman, JPMorgan led new funding round for Members Exchange

Goldman Sachs, JPMorgan and Jane Street Capital joined the 9 financial giants including UBS and America Merrill Lynch, to back the new equities exchange hoping to take on NYSE and NASDAQ. The three firms have led a new round of strategic financing for Members Exchange (MEMX), which plans to launch on 24 July. MEMX aims to increase competition, improve operational transparency, cut costs and simplify the execution of equity trading in the US, with a simple trading model using the latest technology. (Source: [WSJ](#))

19 Feb 2020

Data

Bloomberg

Bloomberg to sell Bloomberg company if elected President

Michael Bloomberg will sell Bloomberg LP, the financial information company that made him a billionaire, if he is elected as the President this November. The company would be put in a blind trust, and then a trustee would handle the sale. Proceeds from the sale would go to Bloomberg Philanthropies, the charitable arm related to climate change and public health. The only restriction Bloomberg would put on the sale is that it not be sold to a foreign buyer or a private equity company. (Source: [Reuters](#))

19 Feb 2020

Personal finance

Hoolah

Singapore FinTech startup Hoolah expands to Malaysia

Hoolah, a Singapore-based fintech company, is bringing its interest-free installment solution to Malaysia, its first new market outside Singapore. It focused on online merchants in the retail, travel and airline verticals. Hoolah has partnered with Singapore-based sneaker and streetwear marketplace Novelship and luxury fashion platform BlinQ over this expansion. Both companies are using their seed funding to fuel their development across the region. (Source: [DealStreetAsia](#))

19 Feb 2020

AI

Softbank/Behavox

Softbank to invest US\$100mn in AI startup Behavox

Softbank's second Vision Fund will invest US\$100mn in Behavox, a UK startup which uses AI to monitor employees' behaviour at financial services companies. This investment would be deployed from SoftBank's Vision Fund II, after the conclusion of the investment period for the original fund ended in September. Softbank has pumped US\$2.5bn of its own cash into Vision Fund II and was considering investing an additional US\$2.5bn in a bid to get it off the ground and restore its own money-making credentials. (Source: [CITYA.M.](#))

19 Feb 2020

Digital banks

LendingClub/Radius

LendingClub to acquire Radius Bank for US\$185mn

LendingClub, a fintech company that pioneered personal loans made online, will buy the U.S. bank Radius Bancorp, for US\$185mn in cash and stock. Radius has more than \$1.4 billion in assets and offers checking and savings accounts online. The deal will give LendingClub access to a stable and cheaper source of funding, help it diversify its revenue stream and enhance resiliency. It is the first time that a U.S. fintech company buys a bank. The approval process is expected to take 12 to 15 months. (Source: [Reuters](#))

19 Feb 2020

Personal finance

MUFG/Grab

MUFG to invest US\$700mn in Grab

MUFG Bank is to invest US\$700mn in Singapore ride-hailing giant Grab. The two companies will form a partnership aimed at further growth in Southeast Asia, offering new services such as lending and insurance through mobile apps. Grab is trying to build a regional super-app like WeChat. Through the acquisition, MUFG will gain access to millions of users in Southeast Asia. (Source: [Bloomberg](#))

17 Feb 2020

Digital banks

China

80% Chinese banks will integrate cloud-based FinTech solutions by 2024

According to IDC, about 80% of all Chinese banks will acquire and integrate FinTech solutions from the cloud market by 2024. Around 20% of bank transactions will be pre-settled through online platforms by the end of 2020, while overall IT spending is projected to hit RMB220.8 bn. By 2022, 25% of insurance companies will leverage AI and voice interaction solutions to achieve automation of claim settlements. (Source: [IDC](#))

17 Feb 2020

Cybersecurity

Mastercard

Mastercard announced its first European Cyber Resilience Centre

Mastercard announced that it is developing its first European Cyber Resilience Centre, a state-of-the-art cyber and security centre in Europe. It will drive collaboration between both public and private sectors, as well as regulatory bodies to further support enterprise resilience in the region. The centre is the first of its kind that the company has invested in outside of North America. Mastercard is launching an interim centre this spring, with the official facility expected to open in 2021. (Source: [Mastercard](#))

17 Feb 2020

Digital banks

Monzo

Monzo to relaunch paid accounts

Monzo will relaunch the paid-for accounts in 1Q20, implementing lessons learned from complaints following its abrupt cancellation of a premium account in Sept 2019. The decision may help it turn into a profit as the company is expected to reach 5.5 million users this year. Besides, Monzo plans to hire up to 500 people. Launched in 2015, Monzo has attracted 3.8 million customers in Britain with its bright coral debit card and spend-tracking data. (Source: [Reuters](#))

17 Feb 2020

Blockchain

Citi

Citi invested in blockchain-based trade finance network Contour

Citi has become the latest banking giant to take a stake in Contour, the blockchain-based trade finance platform which made its commercial launch in last January. Contour is set up by 8 banks, including ING, BNP Paribas and HSBC in 2018 in Singapore, and has successfully landed in 14 countries. Contour's network focuses on improving the Letters of Credit (LoCs) process. (Source: [Contour](#))

14 Feb 2020

Funding

Softbank

SoftBank led 25% of the UK's fintech investment in 2019

In 2019, SoftBank's Vision Fund invested US\$800mn in Greensill and US\$440mn in OakNorth, two London-based business lenders. Those investments accounted for 25% of the \$4.9 billion raised by financial startups (Quartz member exclusive) in UK last year. It raised questions about valuations and whether some firms in its portfolio have too much money. The fund had invested in about 88 companies at the end of last year, and Softbank claimed that there were about 50 winners in the portfolio. (Source: [Yahoo](#))

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